



USFRCS MEMORANDUM NO. 65

TO: Arizona Charter School Administrators;
Administrators of School Districts Sponsoring Charter Schools

FROM: Magdalene D. Haggerty, Office of the Auditor General
Vicki G. Salazar, Arizona Department of Education (ADE)

DATE: June 15, 2006

SUBJECT: Charter School Annual Budget Forms, Work Sheets, and Instructions for Fiscal Year (FY) 2006-07
(Supersedes USFRCS Memorandum No. 58)

As the 47th Legislature, 2nd Regular Session has not yet concluded, only legislation enacted as of the date of this memo has been incorporated, except that the base support level has been increased by 2% pursuant to Arizona Revised Statutes (A.R.S.) §15-901.01. When additional legislation is enacted that changes the forms or worksheets, revisions will be issued in a USFRCS Memorandum.

A.R.S. §§15-183(E)(6) and 15-905 require schools to prepare and submit a budget, in electronic format, containing the information and in the form provided by ADE. A.R.S. §15-903(A) requires the Superintendent of Public Instruction in conjunction with the Auditor General to prescribe the budget format to be used by charter schools. The Auditor General and ADE developed the budget format in Excel, to incorporate the information schools are statutorily required to include in their annual budget. This format will assist schools in complying with budget preparation and submission requirements. ADE will only accept FY 2006-07 budget forms and work sheets submitted electronically using either the Excel forms with the 6/06 revision date or software that produces an electronic file in a format approved by ADE. Schools may download a copy of the Excel forms from the Auditor General's Web site at www.azauditor.gov/forms_charter.htm or ADE's Web site at www.ade.az.gov/schoolfinance/forms/budgets.

School district-sponsored charter schools are not required to complete the budget work sheets included in this packet. The amount of funding school district-sponsored schools receive is based on the agreement between the school district governing board and the charter school. However, A.R.S. §15-185(A)(3)(a) allows school district-sponsored schools to receive the additional assistance prescribed by A.R.S. §15-185(B)(4) for state board-sponsored schools. State board-sponsored schools must complete the budget work sheets included in this packet as they reflect the state equalization assistance calculation for schools that are not sponsored by a school district.

School district-sponsored charter schools should be included in the school district's budget and financial assistance calculations. In addition, charter schools that are a part of a district's reporting entity (i.e., share the district's governing board) must be included in the school district's budget and are not required to file their own forms (refer to USFR Memorandum No. 222 for further details).

The completed forms must be uploaded via the Common Logon, on ADE's Web site at www.ade.az.gov/commonlogon. For password information or help, please contact ADE's Support Center at (602) 542-7378 [outside the Phoenix area call (866) 577-9636], or e-mail at enterprise@ade.az.gov.

Each charter school is statutorily required to annually prepare a proposed budget on a schoolwide and school-by-school basis and submit a copy to the Superintendent of Public Instruction no later than July 5. A copy must be kept on file at the school and made available to the public upon request. A notice of public hearing and governing board meeting to adopt a budget must be published in a newspaper of general circulation or transmitted electronically to ADE for posting on its Web site via the Common Logon using the enclosed HearingNotification.xls file. The publication or posting date must be no later than 10 days prior to the meeting. The governing board must file a publisher's affidavit of publication or an affidavit including the date the notice was posted to ADE's Web site with the Superintendent of Public Instruction within 30 days after publication or posting. The school must adopt a budget no later than July 15 and electronically submit the adopted budget to the Superintendent of Public Instruction no later than July 18.

GENERAL INFORMATION AND INSTRUCTIONS

Schools should complete the budget work sheets before completing the budget forms. Amounts on the budget forms should be rounded to the nearest dollar. Amounts should not be entered in the shaded areas or protected cells. Formulas should not be changed or deleted unless specifically instructed to do so by the Office of the Auditor General or ADE.

The budget forms and worksheets are in three files.

1. budget07.xls includes the cover page and pages 1 through 5 of the schoolwide budget forms.
2. school07.xls includes the school-by-school budget form.
3. wrksh07.xls includes the work sheet table of contents and work sheets A through F.

USING THE BUDGET FORMS AND WORK SHEETS

Grid lines have been turned off (Tools/Options/View) in order to make the lines used in the forms easier to see. Users may turn the grid lines back on without affecting the calculations or printing of the spreadsheet.

The charter school name, county, and CTDS number should be entered on the cover page of the budget forms and on the work sheet table of contents. The number should not include any slashes, dashes, etc. This information will be automatically transferred to the other sheets in the file.

The spreadsheets will automatically perform mathematical calculations and bring forward certain amounts from one budget page/work sheet to another. Therefore, information can and should be entered only in unprotected cells. Users can move from one unprotected cell to another on a sheet by using the Tab key. Work Sheets A, D, and E have no unprotected cells as no input is required on these sheets.

CHARTER SCHOOL ANNUAL BUDGET—SCHOOLWIDE

Current Year 2005-06 Columns

The cells in the current year columns on the budget forms contain formulas that will bring forward budget amounts from the FY 2005-06 budget forms. However, the cells have not been protected so users may also enter the information manually. To bring forward amounts automatically, the budget06.xls file for the most recently revised FY 2005-06 budget must be saved in the C:\CSFORMS subdirectory. Excel will ask the user to update information when the budget07.xls file is opened. Users should review amounts reported in the current year column to ensure they agree to the school's most recently revised budget for FY 2005-06.

COVER PAGE

All information on the cover page must be completed/updated when the proposed, adopted, or revised budget is printed out for the Governing Board to sign. All information, excluding the Revenue information, must also be updated when the budget is revised.

The version of the budget being submitted on the cover page is formatted with a drop down menu. Select the appropriate choice from the menu: Proposed, Adopted, or Revised (including the revision number). Only choices in the menu may be entered in the cell.

Estimated revenues by source for FY 2006-07 should be based on the best information available at the time the budget is prepared. Estimated revenues may be more or less than estimated expenses.

Each time the forms are submitted electronically to ADE, the school should record the date in the space provided. Two school officials should sign the cover page where indicated and send a copy of the cover page within 5 days of the electronic submission to ADE at the following address:

ADE, School Finance, Bin 13
1535 West Jefferson
Phoenix, AZ 85007

PAGE 1

Depreciation expense should not be reported on the budget forms. In addition, purchases of capital assets (land and improvements, buildings and improvements, equipment, and construction in progress) should not be reported in the budget forms except in the Capital Acquisitions section of page 2.

Schools with known special education students and programs at the time of budget adoption should budget for expenses in program code 200 (and 300, if applicable). Also, budgeted special education expenses should be allocated by program type on page 2.

Employee Benefits column

Schools participating in the Arizona State Retirement System should budget in object code 6200 at the rate of 8.60 percent for retirement contributions and 0.50 percent for long-term disability contributions for covered positions.

Percentage Increase/Decrease column

Schools should report the percentage increase or decrease in the total budget for each line item.

Federal and State Project expenses

The total of federal and state project expenses (project codes 1100 through 1499 from page 2) should be included on line 37. Schools should not include federal and state project expenses with other schoolwide project expenses on lines 1 through 36.

PAGE 2

Federal and State Projects

Separate accountability is required for each federal and state project. Therefore, charter schools should estimate the expenses for each federal or state project in which the school participates. The totals on line 31 should agree with the total columns for federal and state projects on line 37 of page 1.

Capital Acquisitions

Enter the increase in the capital asset accounts (land and improvements, buildings and improvements, equipment, and construction in progress) for assets to be acquired by purchase, lease purchase, or construction.

State Equalization Assistance Budgeted for Food Service Expenses

Charter schools participating in the National School Lunch Program are required to spend a portion of their state equalization assistance to support the operation of their food service program. Schools must report on their budget the amount of state equalization assistance that will be expended for their food service program during the 2006-07 school

year. This amount will be used to determine school compliance with state matching requirements pursuant to CFR Part 210.17(a). The Child Nutrition Programs Office will verify the amount reported on the budget as spent when schools' annual financial reports are submitted. Any questions related to state matching requirements should be directed to the Child Nutrition Programs Office at (602) 542-8700.

Special Education Programs by Type

Schools budgeting for special education expenses on page 1, lines 16-28 should report amounts allocated by program type on page 2. The total special education expenses by type should equal the total of lines 27 and 28 on page 1. Supporting documentation should be retained for the allocation of expenses budgeted for individual special education programs.

Line 15, Bilingual Education was renamed English Language Learners (ELL) Incremental Costs and ELL Compensatory Instruction was added. Schools should split the amount from the FY 2005-06 Budget page 2, line 15 Budget Year column between lines 15 and 16 Current Year column, as appropriate.

Selected Expenses by Type

Audit services expense should be the total audit costs to be incurred during the budget year.

Classroom instruction expenses should be the total of expenses budgeted in function code 1000 for program codes 100 through 300 and 500 for the budget year.

Instructional Improvement Project (A.R.S. §15-979)

The Instructional Improvement Project (IIP) accounts for monies received from gaming revenue. Up to 50% of the monies received may be used for teacher compensation increases and class size reduction as provided in A.R.S. §15-977. Therefore, the expenses for class size reduction, if any, must be appropriate expenses under function 1000 – Instruction, excluding athletics. The remaining monies must be used for the following maintenance and operation purposes: dropout prevention programs and instructional improvement programs including programs to develop minimum reading skills for students by the end of third grade.

The monies in this project may not be used to supplant existing state and local monies. The monies received in this project are nonreverting; therefore, unspent monies at fiscal year-end may be used in subsequent years. However, the restrictions placed on the revenues will apply in future years.

PAGES 3 and 4

Schools receive revenues from the Classroom Site Fund each year. A.R.S. §15-977(G)(1) requires the Joint Legislative Budget Committee to calculate an estimated per pupil amount each year. For FY 2006-07 the estimate is \$333.00 per “Group A weighted” pupil (Work sheet B line I.A.3). In accordance with A.R.S. §15-977, the monies should be used for the purposes described below. Additionally, the monies in these three projects must be used to supplement, rather than supplant, existing monies and in accordance with Laws 2000, 5th Special Session, Chapter 1, §62, must not be used for administrative purposes. The monies are nonreverting; therefore, unspent monies at fiscal year-end may be used in subsequent years. However, the restrictions placed on the original allocation of revenues between the three projects will apply in future years. See USFRCS Memorandum No. 44 for additional guidance on the use of Classroom Site Project monies.

1011 Classroom Site Project—Base Salary

This project accounts for 20% of the FY 2006-07 Classroom Site Fund allocations and any unspent monies or interest received in prior years in this project. Monies in this project can only be used for teacher base salary increases and employment-related expenses.

1012 Classroom Site Project—Performance Pay

This project accounts for 40% of the FY 2006-07 Classroom Site Fund allocations and any unspent monies or interest received in prior years in this project. Monies in this project can only be used for performance-based teacher compensation increases and employment-related expenses.

1013 Classroom Site Project—Other

This project accounts for 40% of the FY 2006-07 Classroom Site Fund allocations and any unspent monies or interest received in prior years in this project. Monies in this project can only be used for any of the following maintenance and operation purposes: class size reduction, AIMS intervention and dropout prevention programs for instructional purposes (other than athletics) coded to function 1000; teacher compensation increases; teacher development; and teacher liability insurance premiums.

Full-Day Kindergarten Project (A.R.S. §15-901.02)

The Full-Day Kindergarten Project (Project 1060) accounts for monies received for full-day kindergarten. Monies received for full-day kindergarten and any interest earnings on these monies may only be spent for full-day kindergarten instruction. The monies and interest revenue received in this project are nonreverting; therefore, unspent monies at fiscal year-end may be used in subsequent years.

PAGE 5

Laws 2006, Chapter 4, §4, regarding ELLs, establishes the Structured English Immersion Fund which becomes effective in FY 2007-08. Monies received from this fund must be used for incremental costs to provide instruction to ELLs. The law also establishes the Compensatory Instruction Fund, which is effective in FY 2006-07. Monies received from this fund must be used only for compensatory instruction.

Incremental costs are defined in A.R.S. §15-756.01 as the costs that are associated with a structured English immersion program pursuant to A.R.S. §15-752 or a program pursuant to A.R.S. §15-753 and that are in addition to the normal costs of conducting programs for English proficient students. Incremental costs do not include costs that replace the same types of service provided to English proficient students or compensatory instruction.

Compensatory Instruction Project (A.R.S. §15-756.11)

The Compensatory Instruction Project (Project 1072) accounts for monies received from the Compensatory Instruction Fund. These monies must be used for programs in addition to normal classroom instruction that may include individual or small group instruction, extended day classes, summer school, or intersession school. These programs are limited to improving the English proficiency of current ELLs and pupils who were ELLs and who have been reclassified as English proficient within the previous 2 years. Monies must be used to supplement existing programs and not to supplant federal, state, or local monies previously used for compensatory instruction that were budgeted for ELLs as of February 23, 2006. ADE will issue a Compensatory Instruction Budget Form that schools must submit to ADE before July 15 to request monies from the Compensatory Instruction Fund.

In order to efficiently record compensatory instruction expenditures, schools should establish and use program codes 260, Special Education—ELL Incremental Costs; 265, Special Education—ELL Compensatory Instruction; 435, Student Transportation—ELL Incremental Costs; and Program 435, Student Transportation—ELL Compensatory Instruction, as applicable.

CHARTER SCHOOL ANNUAL BUDGET—SCHOOL-BY-SCHOOL

Charter schools with more than one campus must fill out the school-by-school budget form in the school07.xls file. Each campus and its CTDS number should be listed separately on the budget form.

Schools should include only those expenses from lines 1 through 31 of page 1 of the schoolwide budget that can be specifically assigned to a campus (coded to the campus' unit code). In addition, those expenses from Capital

Acquisitions, page 2, lines 1-5 of the schoolwide budget that can be specifically assigned to a campus should also be included. The expenses for each campus must be recorded in the appropriate column by function code grouping on the appropriate campus line. Federal and State Projects, Classroom Site Projects, Instructional Improvement Project, Full-Day Kindergarten Project, and Compensatory Instruction Project expenses should not be included on the school-by-school budget.

Charter schools with more than one campus must also prepare individual school budgets and make them available to the public upon request. The content for these budgets is not prescribed by statute; therefore, forms have not been provided. Individual school budgets should be prepared to the extent necessary to effectively plan for school needs.

BUDGET WORK SHEETS

WORK SHEET C

Line VI. Decrease for Federal and State Monies Received for M&O Purposes

In accordance with A.R.S. §15-185(J)(1), the Auditor General has determined that the following federal monies meet the definition of “monies intended for the basic maintenance and operations of the school” (as referred to in that subsection), that must be used to reduce the base support level and state equalization assistance, as directed by A.R.S. §15-185(D). This list is not necessarily all-inclusive. The Auditor General may determine in the future that other federal or state grants meet the definition of “monies intended for the basic maintenance and operations of the school.”

1. Indian School Equalization Program entitlements received for:
 - a. Instructional Costs (Basic Program, Gifted and Talented Programs, and Small School Adjustment)
 - b. Bilingual Instruction Costs (Supplemental Programs–Bilingual Program)
 - c. Exceptional Child Education Costs (Exceptional Child Programs)
 - d. Student Transportation Fund Costs
 - e. School Board Training Fund Costs (School Board Supplement)

Indian School Equalization Program entitlements received for Boarding Costs, Dormitory Costs, Intense Residential Guidance Costs, and Pre-kindergarten Costs would not be subject to the reduction.

2. Administrative Cost Grant entitlements received.

In addition, the reduction in A.R.S. §15-185(D) applies to a charter school that was a district school in FY 2005-06 and the Auditor General and ADE have determined that the charter school is operated for or by the same school district. The reduction to the base support level of the charter school is equal to the sum of the base support level and the additional assistance received for FY 2006-07 for pupils who were enrolled in the district school in FY 2005-06 and are enrolled in the charter school in FY 2006-07.

PRINTING

The schoolwide budget forms have been formatted to print on legal-size paper (8½” x 14”) at “Actual Size” (100%). The work sheets and school-by-school budget form have been formatted to print on letter-size paper (8½” x 11”) at “Actual Size” (100%). Since the minimum margin setting for your printer may differ from what was used to set up these files, a little experimentation may be needed to get each sheet to print on one page. Users should try changing the “scaling” under page setup.

If you have any questions, please call the ADE School Finance Operations Unit at (602) 542-5695, or the Office of the Auditor General, Accounting Services Division at (602) 553-0333. Questions regarding the electronic version should be referred to the Office of the Auditor General. Questions regarding electronic submission of the budget forms and work sheets should be referred to ADE.